

Service Date: October 4, 1988

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)	UTILITY DIVISION
by the Montana Power Company for)	
Authority to Increase Rates for)	DOCKET NO. 88.6.15
Electric and Natural Gas Service.)	

IN THE MATTER of the 1988 Annual)	
Compliance Filing for Electric)	
Avoided Cost Based Rates for Public)	DOCKET NO. 88.7.26
Utility Purchases from Qualifying)	
Facilities by the Montana Power)	
Company.)	

IN THE MATTER of the Complaint of)	
Boulder Hydro Limited Partnership,)	DOCKET NO. 88.8.25
Complainant,)	
-vs-)	
Montana Power Company,)	ORDER NO. 5360
Defendant.)	

ORDER ON REQUEST FOR CLARIFICATION

On September 2, 1988, the Montana Public Service Commission (Commission) issued a Consolidation and Procedural Order in this docket. In this Order, the Commission requested that the parties address certain issues which it believed may be relevant to the disposition of the consolidated proceedings. See Consolidation and Procedural Order, September 2, 1988, Finding Nos. 26-28.

On September 14, 1988, the Commission received a "Request for Clarification" from Intervenor District XI HRC, seeking clarification of the issues raised by the Commission. Briefly, the HRC request sought clarification on two issues:

- a) The meaning of "... value, of additional power on the MPC system" as that phrase is found in the Consolidation and Procedural Order, p. 12, para. 27.
- b) The limitations, if any, placed upon the consideration of potential "demand side" resource options in this Docket. Consolidation and Procedural Order, pp. 12-13, para. 28.

At the outset, the Commission wishes to address the underlying tenor of the "Request for Clarification." It is in no way the Commission's desire to constrain the scope of these issues.

Rather, the issues raised in the Consolidation and Procedural Order are intended to serve as minimum guidelines for a thorough discussion of the merits. Of course, the initial testimony in these matters will be filed by the Montana Power Company (MPC). Intervenor should feel free to address these issues as they deem appropriate, as well as address the adequacy of the treatment of these issues by MPC.

Value of Additional Resources. In complete context, the term "value," as found in paragraph 27, is used synonymously with "opportunity costs." Opportunity cost, of course, is an economic concept generally used to indicate the cost of foregone options associated with a particular course of action. The Commission believes that MPC's proposal to purchase Colstrip Unit No. 4 power may preclude MPC from undertaking other resource options (both supply and demand), and therefore, has associated with it an opportunity cost.

Resource Avoidance Options. Again, it is not the Commission's intention to limit the scope of testimony addressing resource options to only QF production and customer price responses. In the Consolidation and Procedural Order, for example, the Commission requests that parties address the opportunities provided to "potential competitors." p. 12, para. 27. The Commission emphasizes the potential role of customer response in resource avoidance. However, the parties should not feel constrained by this emphasis in defining the limits of supply and demand side resource avoidance.

CONCLUSIONS OF LAW

1. The Montana Power Company furnishes electric service to consumers in the State of Montana and is a "public utility" under the regulatory jurisdiction of the Montana Public Service Commission. Section 69-3-101, MCA.

2. The Commission properly exercises jurisdiction over MPC's rates and operations. Section 69-3-102, MCA and Title 69, Chapter 3, Part 3, MCA.

ORDER

1. As requested by HRC, clarification is provided concerning Finding Nos. 26-28 of the Commission's Consolidated Procedural Order, dated September 2, 1988.

2. All other motions and objections not ruled upon are denied.

Done and Dated this 26th day of September, 1988 by a vote of 4-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Carol Frasier
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.